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SUBJECT: SCENESETTER FOR SECRETARY BODMAN'S VISIT TO  
PORTUGAL

Classified By: Ambassador Thomas Stephenson for reasons 1.4 (B) and (D)

11. (C) Mr. Secretary:

Your visit to Lisbon provides an excellent opportunity to strengthen collaboration with the Portuguese in the field of renewable energies, the number one goal of our Mission Strategic Plan. The centerpiece of your visit will be signature of an MOU which lays the groundwork for cooperation in wave energy research, and signature of a Megaports MOU formally enlisting Portugal in this important program. A second overarching objective will be, in your public appearances and private meetings to address the widespread perception that the United States is a reluctant partner on energy security and climate change. You are the ideal spokesman to counter that perspective by underscoring U.S. initiatives in this area, and your schedule will provide plenty of opportunities to get out the message. One last point. The Portuguese government has collaborated closely with us on a wide variety of initiatives, including sensitive global counterterrorism efforts. Your visit will underscore our appreciation and continuing commitment to bilateral engagement at the highest levels. Minister of Economy Manuel Pinho, who called on you in Washington in March, considers himself your principal host on the Portuguese side.  
Portugal - Steadfast Ally  
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12. (C) Our ties with Portugal date to the 1790's, when Portugal was one of the earliest countries to recognize the newly-independent United States. More recently, Portugal has been a steadfast ally that has consistently stood by our side, regardless of the party in office. The President and Prime Minister -- from opposing political parties -- consistently stress that trans-Atlantic relations are a pillar of Portuguese foreign policy and that NATO is the primary guarantor of European security. Prime Minister Jose Socrates had an excellent Oval Office meeting with President Bush in September 2007, two months after Secretary Rice spent a very productive day in Lisbon. Some members of the far left of Socrates's party are uncomfortable with his pro-U.S. inclinations, but the Prime Minister has so far been successful at co-opting or marginalizing them.

13. (SBU) Portugal has provided excellent access to Portuguese air and seaports for military support operations in Iraq and Afghanistan, with over three thousand flights a year transiting Lajes Air Base in the Azores, where some 2,000 U.S. service members and their families are assigned. Despite serious budgetary constraints, its armed forces are engaged in numerous global hotspots: in Afghanistan (where it has lost two soldiers), East Timor, Kosovo, Bosnia, and Lebanon. The government has also been a solid partner in global counter-terrorism efforts -- it is a founding member of the Proliferation Security Initiative and the Global Initiative to Combat Nuclear Terrorism, and it has hosted DHS

personnel as part of the Container Security Initiative since 2005.

#### Internal Politics: Governing from the Center

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14. (SBU) Portugal's charismatic 50-year-old Prime Minister, Jose Socrates (with whom we hope you'll have some time to interact) heads Portugal's moderate Socialist government, which assumed power in March 2005. The Socialists won an absolute majority of seats, which has allowed Socrates to govern from the center without coalitions and helped him implement an economic reform agenda that has required significant belt-tightening among the Portuguese public. By the end of 2007, the government had succeeded in reducing the budget deficit below the EU-mandated limit of three percent, a year ahead of schedule, although growth and unemployment levels remain worse than the EU average.

#### Multilateralist to the core

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15. (SBU) Portugal places great stock in multilateral institutions, the European Union foremost among them. Portugal joined the EU in 1986, and a subsequent infusion of EU structural adjustment funds made possible the construction of Portugal's national transportation infrastructure. Portugal remains a net recipient of EU funds, and a majority of the public view the EU favorably. In fact, Manuel Durao Barroso abandoned his Prime Ministership halfway through his term in 2004 in order to assume the presidency of the European Commission. On most important foreign policy

LISBON 00001202 002 OF 002

issues, Portugal defers to EU consensus. There are some exceptions, such as Africa, on which Portugal does assume a leadership role.

16. (SBU) The Portuguese government was consumed by foreign policy issues and internal EU matters during its six-month stint as EU president during the latter half of 2007. In that role, Lisbon was primarily a facilitator, helping bring together the other 26 members of the bloc to advance progress on key issues in a lowest common denominator approach. Two notable achievements during that period were finalization of the EU reform treaty (the Treaty of Lisbon) -- which will make the EU more internally efficient and will aid trans-Atlantic collaboration in some ways (although it does not yet provide a good answer to Henry Kissinger's famous question, "What number do I call when I want to speak to Europe?") and established a formal structure that will facilitate regular and vigorous interactions between Africa and Europe.

#### Energy: Diversification and renewables

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17. (SBU) Portugal is heavily dependent on energy imports, with foreign sources responsible for more than 80 percent of the country's primary energy needs. It imports all of its crude oil -- much of it from Nigeria and Saudi Arabia; natural gas -- from Algeria and Nigeria; and coal -- from South Africa, Colombia, and others. The government has made a concerted effort in recent years to diversify the country's energy supply and Galp, Portugal's primary oil and gas distributor, has recently explored collaboration with Gazprom and Iran's national oil company, although nothing concrete has been agreed on. During PM Socrates's mid-May visit to Venezuela, Galp signed several agreements with Venezuela's PdVSA, ranging from joint exploration of oil fields to an oil-for-food arrangement.

18. (SBU) Portugal generates approximately 86 percent of its electricity needs. In 2005, renewable sources accounted for nineteen percent of electricity production, and the Socrates government has moved ambitiously since then to boost that

percentage significantly. In January 2007, Socrates announced that Portugal planned to increase the percentage of its electricity needs generated from renewable sources to 45 percent in 2010 by dramatically increasing production capacity, through a combination of special tax incentives, subsidies and investment grants. Minister of Economy Manuel Pinho recently announced he expected investment of 12 billion euros in the renewables sector by 2012. Portugal offers fertile terrain for harnessing of wave energy along the Atlantic coast; solar energy in the south; and hydro and wind energies in the central and northern regions of the country. We have shared separately with your staff a more detailed overview of Portugal's energy sector.

#### Climate change

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¶9. (SBU) When it comes to addressing climate change, the GOP is very much in sync with its EU brethren. Portugal attended the first MEM meeting as EU President, and both subsequent gatherings as part of Slovenia's EU presidency delegation. The GOP welcomed the MEM initiative but remains skeptical of U.S. intentions and approach (although it usually refrains from criticizing us publicly). In October 2007, the GOP hosted in Lisbon the inauguration of the International Carbon Action Partnership (ICAP), a coalition of countries, U.S. state governments, and the European Commission that will share best practices on how to design emissions trading schemes and work toward development of a global carbon market. The governors of New York and New Jersey were in attendance, and Governor Schwarzenegger addressed the group by video.

#### Press

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¶10. (U) The Portuguese media are much less aggressive than their counterparts elsewhere in Europe. On substance, they and the public at large are generally poorly informed about U.S. and Portuguese policies in the renewable energy sector. Minister Pinho told us the main reason for asking you to participate with him in a seminar on this topic at one of Portugal's most prestigious universities is to educate the media and the public about the positive things the GOP and U.S. Government are doing in this area.  
Stephenson